

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Mutual Fire Insurance Company of French)
Township)
422 North 300 East)
Decatur, Indiana 46733)

Examination of: **Mutual Fire Insurance Company of French Township**

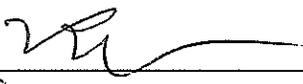
NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Mutual Fire Insurance Company of French Township, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 2, 2020, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Mutual Fire Insurance Company of French Township shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

2/11/2021
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9766

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Examination of: **Mutual Fire Insurance Company of French Township**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Mutual Fire Insurance Company of French Township (hereinafter “Company”) for the time period January 1, 2014 through December 31, 2018.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 24, 2019.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on December 2, 2020 and was received by the Company on December 7, 2020.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Mutual Fire Insurance Company of French Township as of December 31, 2018.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Mutual Fire Insurance Company of French Township to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 11th day of
February, 2021.



Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

MUTUAL FIRE INSURANCE COMPANY OF FRENCH TOWNSHIP
NAIC Co. CODE 92318

As of

December 31, 2018

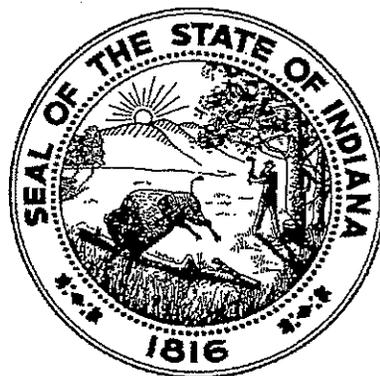


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103

Indianapolis, Indiana 46204-2787

Telephone: 317-232-2385

Fax: 317-232-5251

Website: in.gov/idoi

May 24, 2019

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4022, an examination has been made of the affairs and financial condition of:

Mutual Fire Insurance Company of French Township
422 North 300 East
Decatur, Indiana 46733

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Decatur, Indiana and the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2018, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
317-232-2413

COMPANY COMPLIANCE
317-232-3495

CONSUMER SERVICES
317-232-2395/1-800-622-4461

FINANCIAL SERVICES
317-232-2390

MEDICAL MALPRACTICE
317-232-2402

COMPANY RECORDS
317-232-5692

STATE HEALTH INSURANCE PROGRAM
1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of the period ending December 31, 2013. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2014 through December 31, 2018, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and Annual Statement instructions, when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was organized in 1882, in Adams County, Indiana, for the purpose of insuring its members' properties against loss.

The Company, operating under farm mutual laws, insures its members for loss and damage to farm property and structures.

CAPITAL AND SURPLUS

As of December 31, 2018, the Company had surplus of \$2,007,533. The Company has 744 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in Adams, Allen, Blackford, Dekalb, Hamilton, Howard, Huntington, Jay, Kosciusko, LaGrange, Marion, Miami, Noble, Putnam, Steuben, Union, Wabash, Wells, and Whitley counties.

The Company primarily insures residential and farm property and equipment, including livestock, as well as churches, mobile homes and personal property. Policies are written on a one (1) year basis subject to an inspection every five (5) years.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company, as reported during the examination period and per the examination:

Year	Admitted Assets	Liabilities	Surplus
2018	\$ 2,460,320	\$ 452,787	\$ 2,007,533
2017	2,402,248	458,092	1,944,156
2016	2,096,221	419,724	1,676,497
2015	1,833,663	425,786	1,407,877
2014	1,703,686	490,255	1,213,431

MANAGEMENT AND CONTROL

Directors

The Company has a Board of Directors (Board) consisting of three (3) directors. Directors are elected at the annual meeting of the members and serve five (5) year terms. The following is a listing of directors as of December 31, 2018:

Name	Address
Melvin Burkhart	Decatur, Indiana
Kerry Kauffman	Decatur, Indiana
Jeff Lehman	Monroe, Indiana

Officers

The officers of the Company consist of a President, Vice President, Secretary, Treasurer, and an Appraiser. Officers are elected at the annual meeting of the Board and serve five (5) year terms. The following is a list of key officers as of December 31, 2018:

Name	Office
Max Reinhard	President
Philp Moser	Vice President
Arlene Stump	Secretary and Treasurer
Melvin Burkhart	Appraiser

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers reviewed and signed their statements as of December 31, 2018.

OATH OF OFFICE

Indiana Code (IC) 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all of the directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2018.

CORPORATE RECORDS

Constitution

There were no amendments made to the Constitution during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board minutes and the minutes from the annual meeting of the members were reviewed for the period under examination through the fieldwork date. No significant issues or events were noted from the review of the Board and annual meeting minutes.

AFFILIATED COMPANIES

The Company is owned by its members and has no affiliated companies.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Travelers Casualty and Surety Company of America. The bond has a blanket coverage of \$100,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2018, including but not limited to, agents and brokers professional liability and directors and officers professional liability.

STATUTORY DEPOSITS

As a farm mutual insurer, the Company is not required to maintain a statutory deposit with the state of Indiana.

REINSURANCE

The Company's reinsurance program is placed through Grinnell Mutual Reinsurance Company (Reinsurer). The reinsurance program includes two (2) treaties, all effective January 1, 2018, which are described below.

- *Property Per Risk Excess of Loss Reinsurance* – This coverage limits the Company's liability on an individual occurrence of loss with a retention limit of \$100,000. The agreement covers a maximum of four losses per risk for a maximum reinsurance recovery of \$4,000,000 per contract period.
- *Property Aggregate Excess of Loss Reinsurance* – The Reinsurer agrees to indemnify the Company for 100% of the Company's ultimate net losses incurred in excess of \$418,000, net of all other reinsurance recoveries.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2017 and December 31, 2018, were agreed to the respective Annual Statements.

FINANCIAL STATEMENTS

MUTUAL FIRE INSURANCE COMPANY OF FRENCH TOWNSHIP
Assets, Liabilities and Surplus
As of December 31, 2018

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Assets:			
Stocks	\$ 703,280	\$ -	\$ 703,280
Bank balances	1,546,528	-	1,546,528
Accrued interest	5,421	-	5,421
Jackson National Life Annuity	96,549	-	96,549
Nationwide Insurance Annuities	108,542	-	108,542
Total assets	<u>\$ 2,460,320</u>	<u>\$ -</u>	<u>\$ 2,460,320</u>
Liabilities and Surplus:			
Unpaid claims	\$ 10,000	\$ -	\$ 10,000
Less, reinsurance recoverable	-	-	-
Net unpaid claims	<u>\$ 10,000</u>	<u>-</u>	<u>\$ 10,000</u>
Ceded reinsurance balances payable	18,478	-	18,478
Unpaid salaries and commissions	9	-	9
Taxes payable	981	-	981
Other unpaid expenses	821	-	821
Premiums received in advance	17,869	-	17,869
Unearned premium reserve	404,629	-	404,629
Total liabilities	<u>452,787</u>	<u>-</u>	<u>452,787</u>
Surplus	<u>2,007,533</u>	<u>-</u>	<u>2,007,533</u>
Total liabilities and surplus	<u>\$ 2,460,320</u>	<u>\$ -</u>	<u>\$ 2,460,320</u>

MUTUAL FIRE INSURANCE COMPANY OF FRENCH TOWNSHIP
Income Statement and Change in Surplus
For the Year Ended December 31, 2018

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination*</u>
Income:			
Premiums, net of reinsurance	\$ 597,158	\$ -	\$ 597,158
Interest and profit on investments	62,829	-	62,829
Other income	1,395	-	1,395
Total income	<u>661,382</u>	<u>-</u>	<u>661,382</u>
Disbursements:			
Losses, net of reinsurance	283,300	-	283,300
Operating expenses	230,695	-	230,695
Non-operating expenses	34,315	-	34,315
Change in ledger assets and liabilities	49,695	-	49,695
Total disbursements	<u>598,005</u>	<u>-</u>	<u>598,005</u>
Net income	63,377	-	63,377
Surplus, beginning of period	1,944,156	-	1,944,156
Surplus, end of period as reported	<u>\$ 2,007,533</u>	<u>\$ -</u>	<u>\$ 2,007,533</u>

*The Company reports some income statement items on a cash basis. In order to properly reconcile the change in surplus, the change in accrued asset and liability amounts reflect the reconciliation from cash to accrual basis.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company reports some income statement items on a cash basis. In order to properly reconcile the change in surplus, the change in accrued ledger assets and liabilities has been adjusted by \$49,695 through the examination process.

OTHER SIGNIFICANT ISSUES

There were no other significant issues of note during the examination period.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., performed an examination of Mutual Fire Insurance Company of French Township as of December 31, 2018.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of Mutual Fire Insurance Company of French Township as of December 31, 2018, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

Under the supervision of,

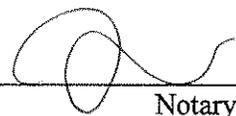


Jerry Ehlers, CFE
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 11 day of June, 2019, before me personally appeared, Jim Kattman and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 4, 2019 

Notary Public

